

Message Text

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ACTION EB-08

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FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC IMMEDIATE 6497

C O N F I D E N T I A L SECTION 1 OF 2 TAIPEI 1035

E.O. 11652: GDS
TAGS: ETRD, TW
SUBJECT: US-ROC TEXTILE NEGOTIATIONS

REF: TAIPEI 0968, TAIPEI 0891

1. DCM MET WITH VICE MINISTER OF FOREIGN AFFAIRS
FREDERICK F. CHIEN FEBRUARY 20, AT CHIEN'S REQUEST, TO
DISCUSS FORTHCOMING US-ROC TEXTILE NEGOTIATIONS. CHIEN
STATED THAT ROC ATTACHES GREAT IMPORTANCE TO REACHING
AGREEMENT WITH US SINCE STRONG TEXTILE INDUSTRY IS VITAL
TO ECONOMIC WELL-BEING OF ROC. ROC IS NOT ASKING FOR MORE
THAN WE GAVE HONG KONG AND KOREA BUT IT DOES NOT WANT TO BE
RDIKRVC##AGAINST EITHER. AT CONCLUSION OF MEETING
CHIEN GAVE DCM PAPER ENTITLED "ORAL STATEMENT" IN WHICH
ROC POSITION IS SPELLED OUT. TEXT OF STATEMENT FOLLOWS:
QUOTE. IN THE FIRST TWO ROUND OF THE SINO-AMERICAN TEXTILE
AGREEMENT NEGOTIATIONS THE TWO GOVERNMENTS REACHED SOME
AGREEMENTS ON LESS-IMPORTANT ITEMS, BUT FAILED TO REACH
AGREEMENT ON FOUR SENSITIVE ITEMS, NAMELY SYNTHETIC FIBER
KNIT SHIRTS (CATEGORIES 638/639) AND SYNTHETIC FIBER
SWEATERS (CATEGORIES 645/646). THE FAILURE OF AGREEMENT
WAS MAINLY DUE TO THE INSISTENCE OF THE AMERICAN DELE-
GATION IN NOT ONLY REFUSING ANY INCREASE IN THE QUOTAS
FOR THESE FOUR CATEGORIES WITHIN THE NEXT FIVE YEARS
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BUT ALSO DEMANDING CERTAIN ROLL-BACKS FROM THE ORIGINAL
QUOTAS. OBVIOUSLY, THE UNITED STATES HAS BEEN TRYING
TO GIVE THE REPUBLIC OF CHINA A DISCRIMINATORY TREATMENT
AS COMPARED WITH THE TREATMENT ACCORDED TO HONG KONG OR
KOREA.

--THE AGREEMENTS THE U.S. REACHED WITH HONG KONG
AND KOREA PROVIDE THE FOLLOWING: IN RESPECT OF CATE-
GORIES 638/639, HONG KONG WILL ENJOY ANNUAL GROWTH
RATES OF 3.41 PERCENT, 3.42 PERCENT, 3.43 PERCENT AND

4.44 IN THE FOUR YEARS STARTING FROM 1979, RESPECTIVELY;
AND THE AGGREGATE VOLUME IN FIVE YEARS WILL BE ALLOWED
TO INCREASE BY 35.39 PERCENT FROM THE ORIGINAL QUOTA.
KOREA WILL ENJOY ANNUAL GROWTH RATES OF 1 PERCENT, 3.9
PERCENT, 3.9 PERCENT AND 3.9 PERCENT IN THE SAME PERIOD,
AND THE AGGREGATE VOLUME IN FIVE YEARS WILL BE ALLOWED
TO INCREASE BY 28.25 PERCENT. IN RESPECT OF CATEGORIES
645/646, KOREA WILL ENJOY THE SAME GROWTH RATES, WHILE
THE GROWTH RATES FOR HONG KONG ARE YET TO BE WORKED OUT.

--THE QUOTA FOR THE PRODUCTS OF THESE FOUR CATE-
GORIES FROM THE REPUBLIC OF CHINA WAS 250,000,000 SQUARE
YARDS FOR 1977, AND THE ACTUAL EXPORT OF THESE PRODUCTS
VALUED AT A TOTAL OF \$370,000,000. ABOUT SEVEN HUNDRED
FACTORIES IN THE PROVINCE OF TAIWAN WITH AN EMPLOYMENT
OF MORE THAN 300,000 WORKERS ARE INVOLVED IN THIS BUSI-
NESS. IT IS EVIDENT THAT SUCH A HARSH ARRANGEMENT AS
PROPOSED BY THE UNITED STATES DELEGATION, IF ADOPTED,
WOULD INEVITABLY HAVE A SERIOUS IMPACT ON THE ECONOMY
OF THE REPUBLIC OF CHINA.

--IN THE PAST DECADE, THE TEXTILE AGREEMENT NEGOTI-
ATIONS BETWEEN THE REPUBLIC OF CHINA AND THE U.S. HAD
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ALWAYS BEEN SMOOTH, BASED ON MUTUAL UNDERSTANDING AND
COOPERATION. THE REPUBLIC OF CHINA WAS THE FIRST
COUNTRY TO SIGN THE TEXTILE AGREEMENTS WITH THE UNITED
STATES. IN THE TWO ROUNDS OF THE CURRENT TALKS THE
CHINESE GOVERNMENT SOUGHT NO FAVORS OTHER THAN WHAT THE
UNITED STATES HAD ALREADY AGREED TO HONG KONG AND KOREA.
THE CHINESE GOVERNMENT IS FULLY AWARE OF THE PRESSURE
THE U.S. GOVERNMENT IS UNDER, AND THEREFORE EXPRESSED
ITS AGREEMENT TO THE ORIGINAL U.S. POSITION THAT THERE
WOULD BE NO INCREASE IN THE QUOTAS FOR THESE FOUR
SENSITIVE CATEGORIES, BUT THERE WOULD BE NO ROLL-BACKS
EITHER, WITHIN THE NEXT FIVE YEARS. THE CHINESE DELE-
GATION ALSO TOOK THE POSITION THAT THE LOSS CAUSED BY
THE LACK OF ANNUAL GROWTH IN THESE FOUR CATEGORIES BE
REASONABLY COMPENSATED IN OTHER CATEGORIES. THIS PRO-
POSAL OF THE CHINESE SIDE WAS, IN EFFECT, ESSENTIALLY
SIMILAR TO THE ORIGINAL POSITION THE AMERICAN DELEGATION
MADE DURING THE FIRST ROUND OF THE TALK TAKING PLACE IN
WASHINGTON D.C. HOWEVER, IN THE SECOND ROUND OF THE
TALKS THE U.S. DELEGATION DEMANDED 6 PERCENT AND 2 PER-
CENT ROLL-BACKS FOR CATEGORIES 638/639 AND 645/646,
RESPECTIVELY. THIS UNEXPECTED REVERSAL OF U.S. POSITION
HAS CAUSED SERIOUS DIFFICULTY TO THE EARLY CONCLUSION
OF THE NEGOTIATIONS AND HAS AROUSED GRAVE CONCERN TO
THE GOVERNMENT AND MANUFACTURERS OF THE REPUBLIC OF
CHINA.

NOTE BY OC/T: ##AS RECEIVED.

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C O N F I D E N T I A L SECTION 2 OF 2 TAIPEI 1035

--THE CHINESE GOVERNMENT WOULD LIKE TO MAKE CLEAR
ITS BASIC POSITION WITH REGARD TO THESE TALKS, THAT
IT IS WILLING TO ACCEPT ANY U.S. PROPOSAL WHICH IS
COMPATIBLE TO THE CONDITIONS CONTAINED IN THE U.S.-HONG
KONG OR U.S.-KOREAN AGREEMENT. SHOULD THE U.S. GOVERN-
MENT INSIST ON ROLL-BACKS IN THE SENSITIVE CATEGORIES,
THE CHINESE GOVERNMENT WOULD BE IN A POSITION TO COOPER-
ATE, PROVIDED THAT MEANINGFUL COMPENSATIONS WOULD BE
MADE IN OTHER CATEGORIES. IT IS SINCERELY HOPED THAT
THE U.S. GOVERNMENT WILL GIVE FAVORABLE CONSIDERATION
TO THE FOREGOING SO THAT A NEW TEXTILE AGREEMENT CAN BE
CONCLUDED AT AN EARLY DATE TO THE MUTUAL BENEFIT OF
THE TWO COUNTRIES. END QUOTE.

2. CHIEN SAID NOTHING THAT HAS NOT BEEN SAID PREVIOUSLY
BY VICE MINISTER OF ECONOMIC AFFAIRS Y. T. WONG AND
TAIWAN TEXTILE FEDERATION. ROC STILL IS PREPARED TO
ACCEPT ROLLBACK IN FOUR SENSITIVE CATEGORIES IF MEAN-
INGFUL COMPENSATION IS GIVEN IN OTHER CATEGORIES.
BUT WHAT COMES THROUGH CLEARLY IN ALL THEIR SEVERAL APPROACHES
TO US IS THE ROC IMPRESSION THAT THE UNITED STATES
IS DISCRIMINATING AGAINST THEM. THE KEY TO THE NEGOTIATIONS IS
TO CONVINCE THE ROC THAT WE ARE NOT BEING DISCRIMINATORY AND
THIS, IT WOULD SEEM, DEPENDS ON A QUESTION OF FACT: DID HONG
KONG AND/OR KOREA ACCEPT ROLLBACK (AS WE UNDERSTAND, AT LEAST
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HONG KONG DID) OR, AS THE ROC UNDERSTAND IT, DID THEY ONLY
ACCEPT STANDSTILL?
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